Before the

FEDERAL COMMUNICATIONS COMMISSION

Washington, D.C. 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90

COMMENTS OF THE NEBRASKA COMPANIES

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Executive Summary

The Nebraska Companies have been strong supporters of a model-based support system option in rate-of-return service areas to provide predictable funding with concrete deployment obligations. The more than 200 companies nationally that have elected model-based support have created a noteworthy problem for the Federal Communications Commission: over-subscription of the model that surpasses the available budget. These comments demonstrate that additional funding for companies electing A-CAM support would achieve further public policy benefits by increasing the performance of broadband networks being made available and thereby benefiting more consumers across the country.

Funding at up to $200 per location, as is posed in the Further Notice of Proposed Rulemaking, would assure more high-quality, high-speed broadband service to tens of thousands more customers, and avoid relegating many rural consumers to sub-standard or no broadband. The Nebraska model electing Companies believe this action is consistent with the Commission's objectives established with the Transformation Order in 2011 that are now being carried out in the 2016 Rate-of-Return Order and this ensuing Further Notice.

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The undersigned Nebraska model-electing Companies[1] hereby respond to the Federal Communications Commission's ("Commission") Further Notice of Proposed Rulemaking in the above-captioned proceeding[2] to address the need to allocate additional high-cost funding to the voluntary model path elected by many companies and authorized by the Wireline Competition Bureau.[3] The Nebraska Companies urge the Commission to

[1] Nebraska Companies supporting these Comments are the American Broadband Communications companies (Arlington Telephone Company, The Blair Telephone Company, Eastern Nebraska Telephone Company and Rock County Telephone Company); the Consolidated companies (Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., and The Curtis Telephone Company); Great Plains Communications, Inc.; and The Nebraska Central Telephone Company ("Nebraska Companies").

[2] *Connect America Fund*, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, FCC 16-178 (rel. Dec. 20, 2016) (the "Order and Further NPRM").

[3] *Wireline Competition Bureau Authorizes 182 Rate-of Return Companies to Receive $454 Million Annually in Alternative Connect America Cost Model Support to Expand Rural Broadband,* WC Docket 10-90, DA 17-99 (rel. January 24, 2017).

allocate additional funds to carriers that have accepted and been authorized to receive model support in an amount necessary to provide up to $200 monthly support per eligible location. This additional allocation will realize the intent of the Commission's initial Order[4] even when the over-subscription of the original and modified A-CAM budgets is accounted for.

BACKGROUND

Granting the additional support to A-CAM-electing companies is consistent with long- standing Commission recognition of the contribution of rural rate-of-return ("RoR" companies in "…deploying 21st century networks in their service territories.[5] In 2011, the Commission adopted reforms to improve and modify universal service and to create programs targeting support for commitments by carriers to construct, operate and maintain broadband-capable networks, initially in price cap carrier service areas and later in RoR areas.[6] More recently, in March of 2016 the Commission adopted a voluntary

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[4] *Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime*, WC Docket Nos. 10-90 *et. al*., Report and Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, FCC 16-33 (rel. March 30, 2016) ("Rate-of-Return Reform Order").

[5] Id., ¶2.

[6] *Connect America Fund, A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-up; Universal Service Reform – Mobility Fund;* WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011) ("USF/ICC Transformation Order and/or FNPRM").

model for RoR carriers, stating: "…we modernize the rate-of-return to support the types of broadband offerings that consumers increasingly demand, efficiently target support to areas that need it the most, and establish concrete deployment obligations to ensure demonstrable progress in connecting unserved consumers."[7] This statement illustrates the Commission's grasp of the challenges associated with building broadband networks in the highest-cost, least densely populated areas of the United States. With this important action the Commission took the major step of closing the so-called "rural-rural divide"[8] that has existed for RoR customers.

In the Order and Further FNPRM, the Commission adopted a voluntary path for RoR carriers to receive model-based support. The Commission initially provided an overall budget of $150 million annually plus the legacy support received by the carrier in 2015. The Commission also provided for the opportunity to allocate an additional $50 million annually if budget demand was exceeded.[9] The Commission also indicated that absent an additional allocation the Wireline Competition Bureau could lower the per-location funding cap below $200 per location.[10] This was, in fact, the outcome. In recognition of the strong demand for model-based support among RoR carriers, the Commission allocated an additional $50 million annually and adjusted the support-per-location by: a) directing more support to carriers with lower current deployment, and b)

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[7] Rate-of-Return Reform Order, ¶1.

[8] Id., ¶2.

[9] Id., ¶62.

[10] Id.

using a “proportional reduction” method so that higher-cost carriers’ average support would be higher, thus providing broader geographic diversity among model recipient authorizations.[11] Additionally, the Commission rightly concluded that the additional $50 million in funding increased the number of locations receiving 10/1 Mbps service or better by 10 percent.[12]

Specifically, the Nebraska Companies offer comments on the following questions raised in the Further NPRM:

- Should additional high-cost funding be allocated to the voluntary model path?[13]
- How should additional funding be prioritized?[14]

DISCUSSION

The Nebraska Companies have actively participated in this proceeding. They have done so in the pursuit of the predictability and efficiency provided by a model-based support system, and have long-recognized the consumer benefits of deploying high-speed broadband networks in the most rural and high-cost portions of the country. The stability provided by a model-based support system enables companies that have chosen A-CAM to “step up” to quantifiable broadband buildout milestones with the assurance that the

[11] Order and Further NPRM, ¶6-9.

[12] Id., ¶6.

[13] Id., ¶17.

[14] Id., ¶18.

costs of deployment and operations – which are extraordinary in rural Nebraska – will be met at least during the 10-year window of this A-CAM authorization.

Increased Model Funding Will Advance the Sound Policy Established by the Commission

In terms of generating interest among RoR carriers, the FCC's establishment of a model-based support mechanism to replace the current high-cost mechanism is an unmitigated success.

To accommodate the over-subscription, the Commission allocated an additional $50 million annually, and instituted a mechanism that reduced per-location support among all electing companies. This resulted in 228 revised offers for 191 companies.[15] Ultimately 182 carriers submitted letters electing 217 separate revised offers of A-CAM support. These carriers will deploy additional broadband service in 39 states.[16]

From a policy perspective, however, the more relevant metric is the number of new locations to which broadband will be deployed. Unlike with previous mechanisms, the A-CAM-eligible companies have accepted concrete, measurable buildout requirements and will be held accountable for delivering broadband. Even with the company-specific reductions in the support caps, the final acceptance of 217 revised

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[15] Id.

[16] *Wireline Competition Bureau Authorizes 182 Rate-of-Return Companies to Receive $454 Million annually in alternative Connect America Cost Model Support to Expand Rural Broadband*, WC Docket No. 10-90, DA 17-99 (rel. January 24, 2017).

offers represents an increase in 523,923 committed broadband locations (which excludes reasonable request locations).

Funding at $200 per Location Creates Substantially More Buildout

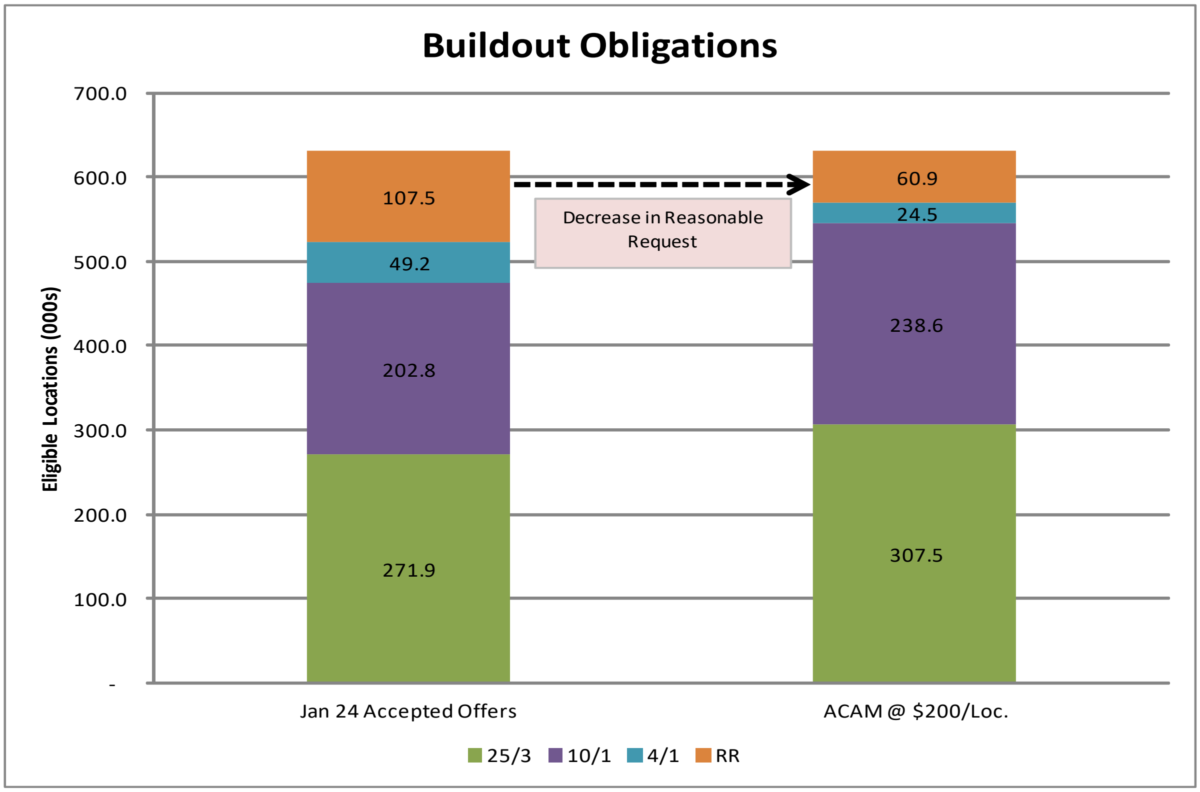
If the Commission were to allocate additional support to companies that voluntarily elected model-based support to the original $200 support-per-location contemplated in the original Order,[17] a significant increase in the number of fully-funded locations will result. This increase in fully-funded locations, in turn, results in large additions to the number of locations in the 25/3 Mbps and 10/1 Mbps categories. The Nebraska Companies estimate that a funding increase from the current revised offer level to up to $200 creates the following increases nationally:

- 35,600 additional 25/3 Mbps locations, an increase of 13.1 percent
- 35,800 additional 10/1 Mbps locations, an increase of 17.6 percent

Chart 1 illustrates these meaningful increases in higher-speed locations afforded by an increase in the funding cap to $200 per location.

[17] *Rate-of-Return Reform Order*, ¶52.

Chart 1



Increased Funding Shifts Buildout Obligations to Higher Speeds and Captures Many Previously Unserved Customers, While Reducing Locations on "Reasonable Request"

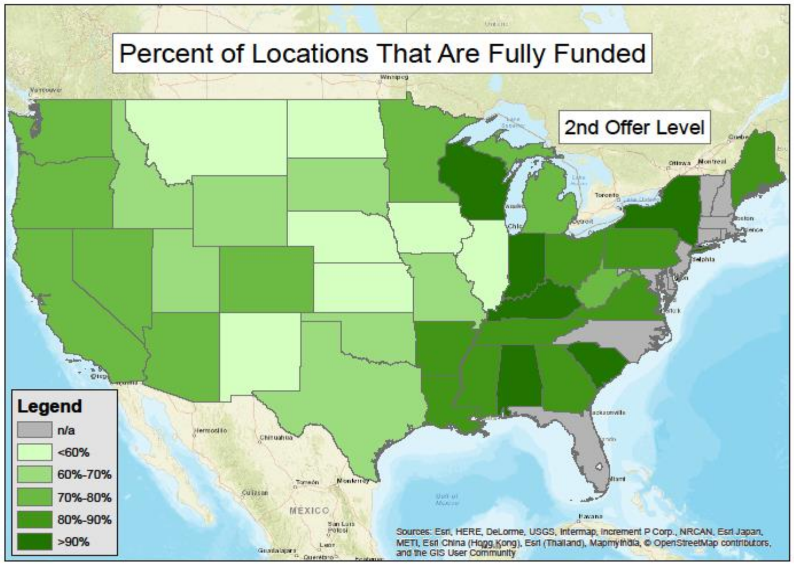
Not only does an increase in funding up to a $200 per location level increase the higher speed obligations, it significantly lowers the 4/1 Mbps and reasonable request locations. Analysis performed by the Nebraska Companies finds that such a funding increase will reduce 4/1 Mbps locations by 50.3 percent and reasonable request locations by 43.3 percent. Notably, this shifts 46,600 reasonable request locations to committed milestone-measurable obligations.

Increased Funding Also Achieves Greater Geographic Diversity in Fully Funded Locations

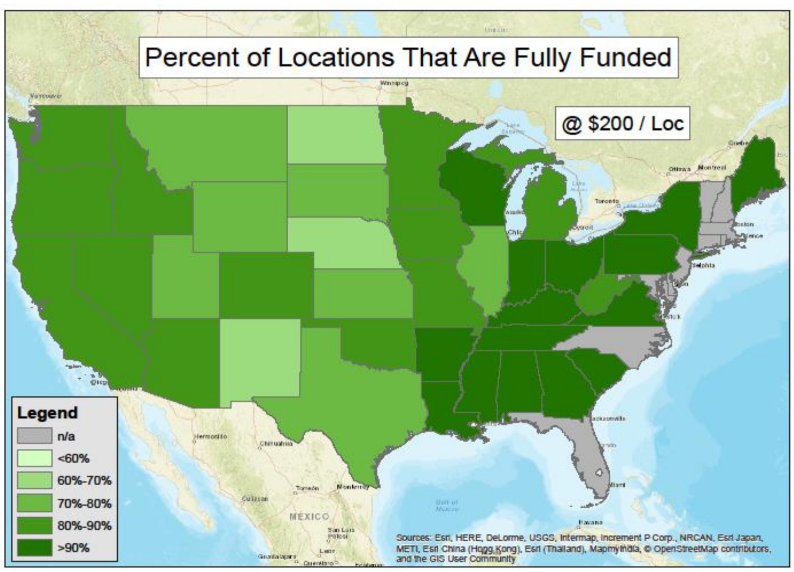
Also significant is the geographic diversity in buildout obligations produced by an increase in funding to up to $200. States with relatively high costs and/or lower current deployment would experience significant increases in fully-funded eligible locations. Since many model electors are in states west of the Mississippi River where either or both of above-mentioned conditions (high cost and/or low deployment) exist, an increase in funding effectively accomplishes the Commission's objectives.

The following maps show the percent change of fully funded locations per state at both the existing revised offer level (Map 1) as well what would occur were funding increased to the $200 cap (Map 2).

Map 1: Fully Funded Locations at Final Second Offer



Map 2: Fully Funded Locations @ $200 per Location



Map 1 shows considerably more lightly shaded green areas, reflecting relatively less buildout among model-electing companies. Model electors in seven of these states have less than 60 percent fully funded locations, with six of the seven being west of the Mississippi River. An additional seven states have only slightly more fully funded locations (in the 60 to 99 percent category), and all of them again are west of the Mississippi River.

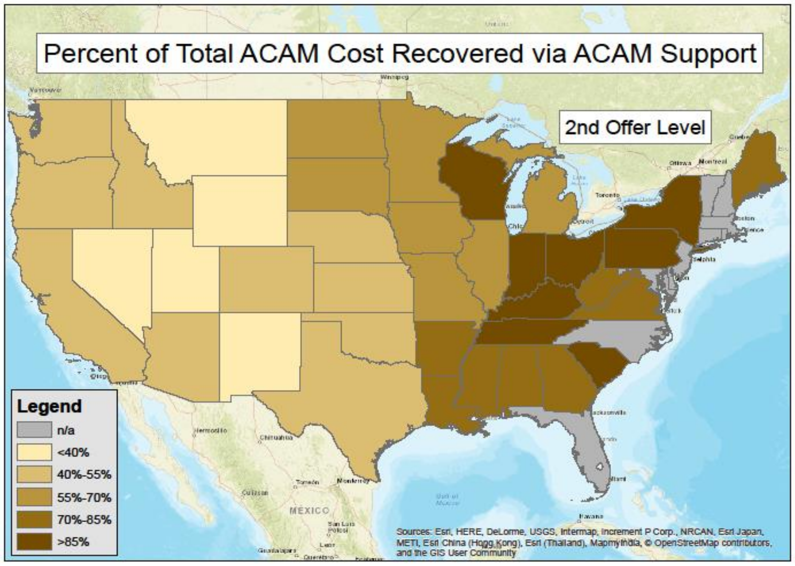
Map 2 depicts the percent of fully funded locations by state. If support were to increase to $200 per location, then only three states, Nebraska, New Mexico and North Dakota, would have less than 60 percent of their locations fully funded.

Even Funding at $200 per Location Does Not Fully Fund All Locations, Particularly Among High-Cost Carriers

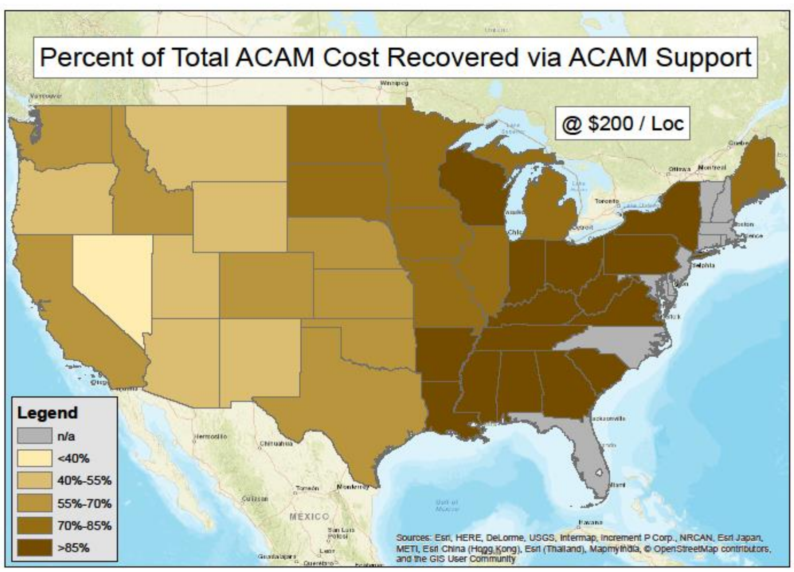
The Nebraska Companies believe the Commission's policy of initially offering support at up to $200 per location was a reasonable decision in fairly administering the model under the limited budget. However, given the over-subscription of the model and the resultant budget adjustments made by the Commission, the "gap" between the model costs of eligible locations and the corresponding support widened under the existing offers accepted by model electors and authorized by the Commission.

The following Maps 3 and 4 show the relationship of support to the cost of deployment. Like the earlier (fully funded vs. partially funded) maps, the lighter-shaded areas depict the needed change in support if the model costs were fully supported rather than funded at up to $200 per location.

Map 3: Percent of Cost recovered via ACAM Support at Final Second Offer



Map 4: Percent of Cost recovered via ACAM Support @ $200 per Location



RoR companies that have elected model-based support have demonstrated a commitment to their rural communities, and in doing so show both the desire and ability to efficiently deploy broadband infrastructure. As these maps demonstrate, additional funding of the model will narrow the cost-to-support gap among companies geographically. The direction of funding to geographically diverse and high cost rural areas is consistent with the Commission's objectives and reflected in the widespread, and perhaps unanticipated, election of model-based support.

Increasing Funding as Contemplated is Equitable

Increased funding to $200 per location not only increases the number of higher-speed broadband connections, but it is also an equitable policy "benchmark" based on two prior Commission precedents in distributing Connect America Fund model support. First, doing so would be consistent with the $200 per location support received by the 35 model-electing companies with legacy support greater than model-based support. While these companies did not receive revised offers, they also did not experience any increase in buildout obligation. On this point, it is irrelevant why these companies elected model-based support – the fact remains that they will receive up to $200 per location in the offer they accepted. Second, price cap carriers that accepted model funding received support at up to $146.10 per location, even though it is widely accepted that these carriers overall have relatively lower costs per location. RoR carriers electing model-based support most certainly have higher costs than price cap recipients – oftentimes drastically higher – and received revised offers less than the $146.10 price cap threshold. An increase to a $200 per location support cap would correct this inequity.

If the Commission is unable to fully fund A-CAM support but does decide to provide additional funding at a lesser level, the Nebraska Companies strongly suggest that the Commission utilize the "proportional reduction" methodology employed with the revised offers. Doing so would be equitable to all companies while again recognizing lower current buildout and broader geographic diversity.[18]

CONCLUSION

The over-subscription of the revised RoR model budget is a testament to embracement of the model-based approach for deploying broadband in high-cost rural areas. Model offers were widely accepted in price cap areas, and now the same is the case in RoR areas. An increase in funding up to $200 per location level will significantly increase the numbers of customers to which broadband at 25/3 and 10/1 Mbps speeds will be built, and decrease the number of reasonable request locations. Broadband services at such speeds are imperative in rural America to reasonably begin to match those services available in the denser, less-costly areas of the country. Not only is it good policy, it provides measurable consumer welfare and is equitable and consistent with other Commission (and national) objectives. If the Commission chooses not to fully fund the A-CAM budget but does make some additional funding available, it should utilize the "proportional reduction" methodology employed in the revised offers to assure equitable treatment of electing companies.

[18] *See Wireline Competition Bureau Announces Results of Rate-of-Return Carriers that Accepted Offer of Model Support*, Public Notice, 31 FCC Rcd 11966 (WCB 2016).

The Nebraska model electing Companies commend the Commission for providing a voluntary path for a model-based broadband universal service program that will produce measurable results. They encourage the Commission to further expand the support per location to $200 to enhance the performance of broadband that will be deployed to the most rural parts of the United States.

Respectfully submitted,

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